

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF IOWA**

In re: _____) Chapter 11
)
MERCY HOSPITAL, IOWA CITY, _____) Case No. 23-00623 (TJC)
IOWA, *et al.*, _____)
) (Jointly Administered)
Debtors. _____)

RESPONSE TO OBJECTIONS TO CLAIM #10277

FILED UNDER SEAL

Mercy Health Network, Inc. (“Mercy Health Network”), by and through the undersigned, hereby submits this Response to the Trustee of the Mercy Hospital Liquidation Trust’s (“Trustee”) Objection to its General Unsecured Nonpriority Claim #10277 (“Claim”) (objection filed at Dkt. No. 1814), and states as follows:

1. On October 16, 2023, Mercy Health Network timely filed the Proof of Claim in the amount of \$31,524.63 with supporting documentation.
2. On March 17, 2025, the Trustee filed an objection to the Claim. [Dkt. No. 1814]. The objection merely checked boxes alleging both “[t]he Claim either has been paid or the Trustee’s advisor is still attempting to ascertain from the Debtors’ records whether the Claim has been paid or has any valid legal basis” and contradictorily, that “[t]he Debtors and their estates do not owe the debt displayed on the claim.” No additional detail or supporting documentation was included.
3. “A claim or interest, proof of which is filed under section 501 of this title, is deemed allowed, unless a party in interest, including a creditor of a general partner in a partnership that is a debtor in a case under chapter 7 of this title, objects.” 11 U.S.C. § 502(a) (West). “A proof of claim signed and filed in accordance with these rules is *prima facie* evidence of the claim’s validity

and amount.” Fed. R. Bankr. P. 3001(f); *In re Buchanan*, 31 F. 4th 1091, 1094 (8th Cir. 2022) (holding creditors “create a presumption that their claims are valid by filing formal proofs of claim against the bankruptcy estate”); *In re Sears*, 863 F.3d 973, 979 (8th Cir. 2017). The burden then shifts to the objector to contest the claim. *Sloan’s Furriers v. Bradley*, 146 F.2d 757, 758 (6th Cir. 1945) (“The mere filing of a proof of claim is *prima facie* evidence of its validity, with the burden of disproving it upon the objector.”); *In re Nicols*, 654 B.R. 772, 775 (E.D. Ark. 2023) (“The burden then shifts to the objector to establish that the claim fits within one of the exceptions set forth in Section 502(b) of the Bankruptcy Code.” (internal quotation omitted)). “The filing of an objection does not deprive the proof of claim of a presumptive validity unless the objection is supported by substantial evidence.” *In re Austin*, 583 B.R. 480, 483 (B.A.P. 8th Cir. 2018).

4. “If … the Trustee … wishes to object to a claim, it must do so with specificity....”
In re Mirth, Nos. 98-20165, 97-20244, 97-20243, 97-20242, 1999 WL 33490215, at *3 n.7 (Bankr. D. Idaho Sep. 3, 1999); *Spencer v. Lowe*, 198 F. 961, 964 (8th Cir. 1912) (holding objections should be “sufficiently explicit” to notify the claimant of the objection’s specifics). The Trustee fails to satisfy this standard. Because the Trustee provides no specific details beyond contradictory (and incorrect) boilerplate allegations that the debt was paid, the Trustee does not know yet if the debt was paid or owed, and the debt is not owed, the Trustee has not met his burden or provided sufficient notice. Therefore, the objection fails, should be overruled and Mercy Health Network’s claim be allowed as filed. Regardless, the Trustee’s incorrect, non-substantive and vague arguments fail.

5. The Claim has not been paid. Donovan Affidavit at ¶ 4 (Exh. A).

6. That the Trustee’s advisor allegedly may still be attempting to review documents to determine whether the Claim has been paid or has a valid legal basis is not one of the grounds

to object to the Claim set forth in 11 U.S.C. section 502(b)(1)–(9). Indeed, such an objection would incentivize trustees or other objectors to not be diligent in reviewing the claim.

7. The debt identified in the Claim is owed and the Trustee provides no evidence—let alone the required substantial evidence—to the contrary. The Debtor and Mercy Health Network were parties to a Management Services and Strategic Affiliation Agreement (“the Agreement”). (Exh. B). Under the Agreement (including a September 2019 amendment), the Agreement’s term lasted through June 30, 2023. Agr. at § 16 (Exh. B); First Amendment to Agr. (Exh. C). Per the Agreement, Debtor was required to pay Mercy Health Network an annual services fee (paid on a monthly basis) and reimburse Mercy Health Network for costs Mercy Health Network paid for the CEO provided to Debtor. Agr. at Exhibit C §§ 1, 3 (Exh. B). The invoices for the Claim were for the services fee and executive costs owed under the Agreement through the date of its termination.

WHEREFORE, Mercy Health Network respectfully requests this Court enter an order (a) overruling the Objection, (b) allowing the Claim as filed, and (c) granting such other and further relief as is just and proper.

Dated: May 9, 2025

BELIN McCORMICK, P.C.

/s/ Christopher J. Jessen

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Health Sciences, and MH NACO, LLC*

CERTIFICATE OF SERVICE

The undersigned certifies, under penalty of perjury, that on May 9, 2025, the foregoing document was electronically filed with the Clerk of Court using the Northern District of Iowa CM/ECF and the document was served electronically through the CM/ECF system to the parties of the Chapter 11 cases.

/s/ Christopher J. Jessen

**EXHIBIT A
SEALED**

**EXHIBIT B
SEALED**

**EXHIBIT C
SEALED**